

BEFORE THE TAX COMMISSION OF THE STATE OF IDAHO

In the Matter of the Protest of)	
)	DOCKET NO. 20496
[Redacted],)	
)	DECISION
Petitioners.)	
_____)	

On June 29, 2007, the staff of the Tax Discovery Bureau of the Idaho State Tax Commission issued a Notice of Deficiency Determination to [Redacted] (taxpayers) proposing income tax, penalty, and interest for the taxable year 2002 in the total amount of \$1,119.

On August 31, 2007, the taxpayers filed a timely appeal and petition for redetermination. The taxpayers did not respond to the Tax Commission's hearing rights letter and have provided nothing further for the Tax Commission to consider. The Tax Commission, having reviewed the file, hereby issues its decision.

The taxpayers were referred to the Tax Discovery Bureau (Bureau) after the taxpayers had filed bankruptcy, and the Tax Commission's bankruptcy unit discovered they had not filed a 2002 Idaho individual income tax return. The Bureau obtained information [Redacted], determined the taxpayers were required to file an Idaho income tax return, prepared a return for the taxpayers, and sent them a Notice of Deficiency Determination.

The taxpayers protested the Bureau's determination and provided copies of their federal income tax return, their [Redacted] income tax return, and an Idaho income tax return. The Bureau reviewed the information the taxpayers provided and found that the taxpayers' Idaho income tax return needed some corrections. The Bureau allowed a credit for taxes paid to [Redacted], allowed withholdings not reported by the taxpayers, and disallowed a credit for maintaining a home for a family member age 65 or older or developmentally disabled. The

credit was disallowed because the taxpayer did not provide backup information for the credit and the amount claimed far exceeded the allowable amount. The Bureau sent the taxpayers a revised Notice of Deficiency Determination along with a statement asking them to withdraw their appeal if they agreed with the revised determination. The taxpayers did not respond. Consequently, the Bureau referred the matter for administrative review.

The Tax Commission reviewed the case and sent the taxpayers a letter explaining the changes the Bureau made to their Idaho income tax return. The letter asked the taxpayers to send in a written statement withdrawing their appeal if they agreed with the changes or to choose one of the two methods discussed in the letter for redetermining a protested Notice of Deficiency Determination. The taxpayers did not respond. Therefore, the Tax Commission decided the matter based upon the information available.

[Redacted]. That information included federal adjusted gross income, filing status, and number of exemptions. The Bureau also included withholding information that was available from the Tax Commission sources.

The additional information the taxpayers provided was a complete copy of their federal income tax return and a copy of their [Redacted] income tax return. The federal return provided information on the taxpayers' child care expenses, and the [Redacted] return showed the tax the taxpayers paid to [Redacted]. Both of these items either reduce the taxpayers' taxable income or reduce Idaho's tax. The taxpayers' Idaho income tax return included the deduction for child care expenses, but it did not include the credit for taxes paid to [Redacted].

The taxpayers' Idaho return also included a credit for maintaining a home for a family member age 65 or older or developmentally disabled. The taxpayers did not provide the necessary background information for this credit on the Idaho Form 39R, so the credit was

disallowed. However, in the taxpayers' computation of their Idaho tax, they did not include this credit in the final amount due, so the Tax Commission is not sure that the taxpayers intended to claim this credit.

The taxpayers' [Redacted] return provided the needed information to compute Idaho's credit for taxes paid to another state. The Bureau included this credit in its revised Notice of Deficiency Determination. The Tax Commission reviewed the credit and found that the double taxed income used by the Bureau was not the correct amount. Therefore, the Tax Commission recalculated the credit and finds that the correct credit is the tax the taxpayers paid to [Redacted].

Even though the taxpayers' Idaho return omitted some and added other line items, the tax they determined was due and owing was the same as the Bureau's less the credit for taxes paid to another state. Therefore, when the credit is allowed, the taxpayers end up owing less tax to the state of Idaho.

The Bureau added interest and penalty to the taxpayers' Idaho tax. The Tax Commission reviewed those additions and found them appropriate and in accordance with Idaho Code sections 63-3045 and 63-3046. Therefore, the Tax Commission upholds the addition of interest and penalty.

WHEREFORE, the Notice of Deficiency Determination dated June 29, 2007, is hereby MODIFIED, in accordance with the provisions of this decision and, as so modified, is APPROVED, AFFIRMED, and MADE FINAL.

IT IS ORDERED and THIS DOES ORDER that the taxpayers pay the following tax, penalty, and interest:

<u>YEAR</u>	<u>TAX</u>	<u>PENALTY</u>	<u>INTEREST</u>	<u>TOTAL</u>
2002	\$ 264	\$ 66	\$ 82	\$ 412

Interest is computed to May 1, 2008.

DEMAND for immediate payment of the foregoing amount is hereby made and given.

An explanation of the petitioners' right to appeal this decision is enclosed with this decision.

DATED this _____ day of _____, 2008.

IDAHO STATE TAX COMMISSION

COMMISSIONER

CERTIFICATE OF SERVICE

I hereby certify that on this _____ day of _____, 2008, a copy of the within and foregoing DECISION was served by sending the same by United States mail, postage prepaid, in an envelope addressed to:

[Redacted]

Receipt No.